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TAGS: [EFIN](#) [ECON](#) [EINV](#) [TU](#)  
SUBJECT: TURKISH BANKS ATTRACT MORE FDI -- FINANSBANK SALE  
TO NATIONAL BANK OF GREECE

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This message was coordinated with Embassy Ankara.

11. (SBU) Summary: Turkish bank values hit a new peak on April 3 with the announcement in Athens that the National Bank of Greece (NBG) will purchase a near controlling stake in Finansbank, Turkey's ninth largest bank, for 2.8 billion USD. The sale price values the bank at 5.05 billion USD, 3.6 times its book value, a multiple that eclipses the previous record: the 2.6 times book value that GE Capital paid for Garanti Bank last year. NBG emerged victorious in a contest that pitted it against Citibank, which again fell short in its effort to strengthen its position in Turkey. The news fueled a rally in the Turkish stock market and augurs well for other banks that are on the block, including Denizbank and Sekerbank. This deal, along with the OMV purchase of Petrol Ofisi, means that FDI inflows will continue to be strong in 2006. The transaction also demonstrates the extent of Turkish-Greek normalization in recent years. End Summary.

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NBG Buys Share in Finansbank  
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12. (U) The flood of rumors surrounding the sale of Finansbank came to an end on Monday, April 3, with the announcement in Athens that the National Bank of Greece would purchase 46 percent of the bank's ordinary shares and 100 percent of its founding shares from owner Husnu Ozyegin. Total value of the deal was 2.8 billion, 2.32 billion for the ordinary shares and 451 million for the founding shares. NBG will issue a tender call for holdings of other investors later in the year, with a goal of accumulating at least 50.1 percent of the bank's shares. If it does not reach that level, Ozyegin gave an option on his remaining shares after the deal (some 9.68 percent of the total) to ensure that NBG will reach majority control. The deal does not include the bank's international operations: Ozyegin's FIBA holding will purchase bank-owned shares in Finansbank Romania, as well as all the shares in Finans International Holding, the bank's international umbrella. Local brokerages estimate the price at 3.62 times book value, well above the previous record--the 2.6 times book value that GE Capital paid for Garanti Bank last year. Commentators note that the bank's value has increased 72 times in 5 years, given that it was valued at only 84 million USD after the 2001 crisis.

13. (SBU) The announcement represents the latest coup in Ozyegin's storied business career. Business journals are fond of pointing out that he started the bank in 1987 with one million USD in seed capital, after selling two homes in

Istanbul. Previously a successful general manager at several other Turkish banks, including Yapi Kredi (which was purchased by Turkey's Koc Group earlier this year), his personal assets were already estimated at 1.5 billion USD before the sale. NBG announced that the bank's management will not change, and that Ozyegin will remain as Chairman for at least two years.

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Citibank Comes Up Short  
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¶4. (SBU) The announcement again left Citibank, the other contender for Finansbank, standing at the altar. The bank has long been rumored to be interested in augmenting its profile in the Turkish market, and local manager Steve Bideshi spoke publicly about Citibank's desire to expand earlier this year. Indeed, a recent article in the "Wall Street Journal" intimated that sale of Finans to Citibank was all but a done deal. In the end, however, leading brokers tell us that the purchase foundered on Citibank's insistence on purchasing outright control, rather than accepting purchase of a lesser portion of the shares and seeking control through a tender offer.

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FDI Keeps Flowing  
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¶5. (U) The NBG-Finans deal, coming a few weeks after Austria's OMV announced it would purchase a stake in petroleum distributor Petrol Ofisi, means that 2006 foreign direct investment is likely to be as strong as 2005, when FDI jumped to USD 9.6 billion. Given that many of the 2005

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transactions were structured to be paid in installments, FDI arising from these earlier transactions will continue to show up in the balance of payments in 2006 and 2007.

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Increasing Greek Economic Ties  
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¶6. (SBU) NBG is the second Greek financial institution to make a purchase in Turkey: EFG Securities bought a small Istanbul brokerage a year ago. Though the NBG deal should be viewed primarily as a business deal, the fact that a Greek bank felt comfortable buying a major stake in a Turkish bank demonstrates the extent of the normalization in bilateral relations in recent years, as well as the confidence-building impact of Turkey's beginning EU accession negotiations in ¶2005. According to the some international observers, the purchase is the largest foreign investment ever by a Greek company.

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Comment  
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¶7. (SBU) With the sale, Turkish bank valuations continue to hit new levels, reflecting and leading the overall rise in company values here. Price-book value multiples have increased from the 1.9 times book value Fortisbank paid for Disbank in 2005, to the 2.6 times book value GE Capital paid for Garanti, to this deal's 3.6 multiple. Local analysts note that any price in this range is expensive, but are not surprised, given the current focus on securing franchises that offer strong growth potential. What has surprised market watchers and analysts is the fact that 20 years after it first attempted to purchase a Turkish bank, Citibank again was not successful. Local media speculate that Citibank will turn its attention to market leader Akbank, which is interested in securing an international investor, and has made clear its preference for an "Anglo-Saxon" partner. Akbank executives have stressed that they do not intend to

yield control of the bank, however, so it is not clear that such a partnership would interest Citi. Local brokers note that few attractive banks remain on the market: Denizbank and Sekerbank are much smaller than Finans. Halkbank will be privatized, but has a very statist culture and in the view of many has little franchise value except for its extensive branch network. Effectively deploying those resources would be a "huge task," one banker told us. Analysts also note that with an increasing share of the Turkish banking sector passing into foreign hands, nationalist pressure for a cap on foreign ownership may increase, creating further difficulties for foreign banks that are late getting into the game. End Comment.

JONES